National Committee to Preserve Social Security & Medicare™
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United States House of Representatives
Committee on Ways and Means, Subcommittee on Health
Hearing on Examining Traditional Medicare's Benefit Design
Tuesday, February 26, 2013

Mr. Chairman and Members of the Subcommittee:

I am Max Richtman, President and Chief Executive Officer of the National Committee to Preserve Social Security and Medicare (NCPSSM), and I appreciate the opportunity to submit this statement for the record. With millions of members and supporters across America, the National Committee is a grassroots advocacy and education organization devoted to preserving and promoting Social Security, Medicare, and Medicaid. As you know, these programs are the foundation of financial and health security for older Americans. Today, I will address our views about proposals to restructure the traditional Medicare benefit design.

In testimony I submitted for the Subcommittee's June 19, 2012 hearing, I stated, "Medicare could be improved for beneficiaries by simplifying its cost-sharing requirements and adding a catastrophic cap. The current Medicare fee-for-service (FFS) program is complicated because there are different deductibles, copayments, and coinsurance for different types of services. In many cases the cost-sharing is quite high, and Medicare does not have a limit – a so-called "catastrophic cap" – on annual out-of-pocket spending, which is found in most large employer plans. Many Medicare beneficiaries are paying premiums for Medigap insurance or retiree health coverage to help with Medicare's costs-sharing requirements. They are also paying a large share of their incomes for health care services not covered by Medicare such as vision, dental and eye care as well as long-term care."

I would like to reiterate this statement because Medicare beneficiaries have modest incomes and they cannot afford higher out-of-pocket costs for the health care services they need to treat their multiple chronic conditions and cognitive/mental impairments. People from communities of color have a higher risk than whites for certain chronic conditions such as diabetes. According to the Kaiser Family Foundation, over half of Medicare beneficiaries had incomes of $22,500 or less in 2012, lower than 200 percent of the federal poverty level, and their savings are very modest. Two-thirds of African American and Hispanic beneficiaries have incomes below this amount, and they make up a large share of beneficiaries who have incomes below 100 percent of the federal poverty level. On average, Medicare households spend 15 percent of their income on health care, which is three times more than non-Medicare households spend.

For these reasons, we are opposed to proposals to restructure Medicare's benefits that would reduce federal spending by requiring beneficiaries to pay more. These proposals, such as one included in the 2010 Bowles-Simpson report, *The Moment of Truth*, and likely to be included in the upcoming report they have recently outlined, would raise costs for most beneficiaries by combining the Part A and B deductible; establishing a catastrophic cap so high that it would only help a small percentage of beneficiaries each year; requiring coinsurance on all services, including some such as home health that currently do not require beneficiary cost sharing; and

restricting Medigap first-dollar coverage, which is important for many lower-income people who need as much predictability as possible regarding their out-of-pocket health costs.

Our concerns also apply to the proposal in the June 2012 MedPAC report to reform Medicare's benefit design. We support the inclusion of a catastrophic cap on Medicare's cost sharing that is set at a level which would give beneficiaries some assurance that they would be helped with high out-of-pocket costs. However, although a catastrophic cap would give beneficiaries some certainty about the limits on their health spending, many people would likely retain their Medicare supplemental policies to make their out-of-pocket costs, especially increased coinsurance, before reaching the cap more predictable. Therefore, we have concerns about implementing a surcharge on both Medigap and employer-provided supplemental policies that would increase costs for beneficiaries, including those with policies they have had for many years.

Supporters of proposals that shift costs to beneficiaries believe people will make wiser choices about using health care services, or will seek more high-value services, if they have to pay more of the cost. We oppose these proposals because we believe additional costs could lead many seniors to forego necessary care, which could lead to more serious health conditions and higher costs down the road. Also, once a person seeks care, it is physicians and other health care providers who make the decisions about the care, tests and other services they receive.

Medicare beneficiaries are already paying a great deal for their health care, and many cannot afford to pay more. The National Committee to Preserve Social Security and Medicare believes we can strengthen Medicare's financing and improve the quality of care provided without adversely affecting beneficiaries. Specifically, we support:

- Building on the Affordable Care Act (ACA). Savings in the ACA are slowing Medicare's per capita growth and have extended the solvency of the Medicare Part A Trust Fund. The ACA also includes provisions leading to changes in the way care is delivered and paid for that improve quality and reduce costs. We support efforts to expand these improvements, including better care coordination, reforms to fee-for-service payments, and enhanced support for primary care providers.

- Requiring Part D drug rebates and allowing the federal government to negotiate prescription drug prices. The Congressional Budget Office (CBO) has estimated savings of $137 billion over 10 years if drug manufacturers were required to provide rebates for drugs used by beneficiaries who are dually eligible for Medicare and Medicaid as they were required to do before passage of the Medicare Modernization Act.

- Improving initiatives to prevent, detect and recover improper payments, including fraud, waste and abuse.

Thank you again for this opportunity to submit our views on proposals to restructure the current Medicare benefit design.